University of Toronto Asset Management Corporation

Annual Report

08

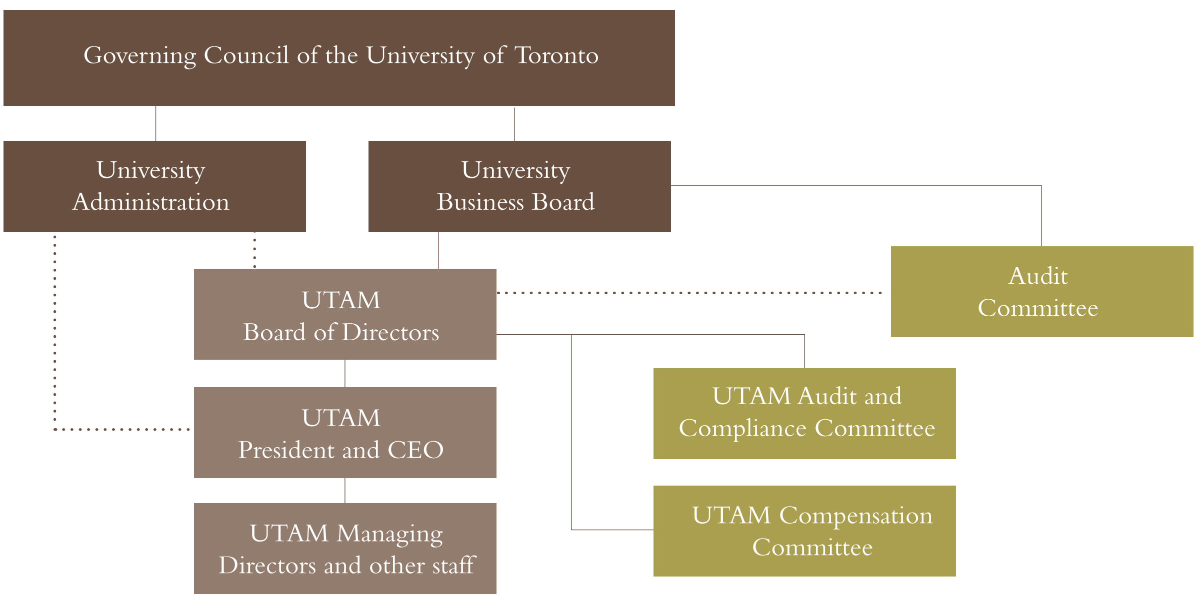
UNIVERSITY OF TORONTO

OUR MISSION

The mission of UTAM is to deliver consistent superior investment returns through skilled investment management applied with the highest standards of professional conduct.

ORGANIZATION CHART

The chart below provides a schematic representation of the key organizational interrelationships of the governing bodies involved in oversight of UTAM and its investment activities.



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All figures in this Annual Report are in Canadian dollar terms, unless stated otherwise.

HIGHLIGHTS

As UTAM has evolved, so have the investment strategies and the ways in which performance is assessed. In 2008, the University completed work on a new performance benchmark concept called the Reference Portfolio. It is intended to represent a Canadian institutional portfolio which is passively managed yet achieves the University's targets for risk and return (Endowment and Pension portfolios) over the long term. Although it was formally introduced starting in 2009, we have included it in our analysis of 2008 results. Therefore, UTAM now assesses performance versus the University target return, the Reference Portfolio return and the Benchmark Portfolio return.

Investment performance for 2008 and the prior five years is summarized below.

	2008			2003-2007 (compound annual return over five years)	
	ENDOWMENT	**PENSION**	**EFIP**	**ENDOWMENT**	**PENSION**
University Target Return[1]	5.2%	5.2%	6.3%	6.1%	6.1%
Reference Portfolio Return[2]	(18.8%)	(18.8%)	n.a.	11.0%	11.0%
Benchmark Portfolio Return	(25.6%)	(25.6%)	n.a.	11.6%	11.2%
Actual Net Return[2]	(29.4%)	(29.5%)	1.5%	11.7%	11.5%
Assets (December 31; millions)					
2008	$1,506	$2,079	$818		
2007	$2,111	$2,994	$640		

n.a. = not applicable

1 For the Endowment and Pension portfolios, the target return on a nominal return basis is a 4% real return plus inflation (CPI). For EFIP, the target return is the 365-day Canadian T-bill Index plus 50 basis points.
2 Gross return less all fees and costs.

UTAM regularly re-examines investment strategies to improve performance and adjust for risk.

Performance in 2008 was very disappointing. The negative returns more than eroded the substantial outperformance cushion that had been built up over the five years prior to 2008. The cumulative annualized return of the Endowment portfolio, and of the Pension portfolio, had exceeded all three performance benchmarks (i.e. the University target return, the Reference Portfolio return and the Benchmark Portfolio return) over the five years prior to 2008.

Asset mix and foreign currency hedging policy are the primary drivers of the difference in returns between the Reference Portfolio and the Benchmark Portfolios. The Benchmark Portfolios and the actual portfolios have a higher allocation to equities and foreign currency (through foreign public and private equity, hedge funds and real assets) than the Reference Portfolio. There is a corresponding lower allocation to fixed income. In 2008, fixed income was essentially the only asset class that posted a positive return. In addition, the Reference Portfolio, like many traditional institutional portfolios, is only 50% hedged to the Canadian dollar, while the Benchmark Portfolios and the actual portfolios were 100% hedged. The Canadian dollar depreciated 25% in 2008, so the combination of lower returns on foreign public equity exposures and no currency benefit as a result of 100% hedging were significant factors contributing to underperformance versus the Reference Portfolio. Alternative assets (e.g. private equity, hedge funds, real estate) substantially outperformed public equities in 2008, but not enough to overcome the shortfall created by the lower weight in fixed income assets combined with the depreciation of the Canadian dollar. Over longer periods, the higher exposure to foreign assets and alternative assets is expected to be beneficial. The actual results were also negatively impacted by the Enhanced Index strategies, which suffered in 2008 due to negative returns from the investment in hedge funds, following several consecutive years of outperformance by these investment strategies.

UTAM regularly re-examines investment strategies to improve performance and adjust for risk. The foreign currency hedging policy for the Endowment and Pension portfolios was changed to 50% starting in 2009. In addition, we reduced the exposure to hedge funds somewhat in 2008 and will reduce it by a more meaningful extent in 2009. We continue to further broaden our risk assessment practices and tools; an ongoing process regardless of the market environment at any particular point.

CHAIR'S MESSAGE

As a prelude to writing my annual letter, I re-read the messages that I have delivered since I became Chairman in 2003. The only time that I attempted anything like a forecast was last year, when I bravely predicted that stock indices might actually go down one year. Little did I know that 2008 would turn into the financial calamity that we have all now experienced. It is not necessary for me to review the events that have caused the problems in the financial world. They seem to be in our face every day in the media. Thus, I am staying away from forecasts again, except to say that economies and markets have always been cyclical and a strong recovery over the next three years is almost inevitable.

UTAM manages the University's Endowment fund and Pension fund in a very sophisticated manner. The five years previous to 2008 were very rewarding, as our performance was outstanding on any type of measurement basis. Unfortunately, 2008 was disappointing on any type of measurement basis as well. It is easy to be critical at times like this, but fortunately our Board of Directors is very seasoned. They understand the nature of the environment, and they realize that our ability to generate strong returns annually would be tested in years such as 2008.

Literally every product in every market faired poorly in 2008, and our broad based diversification did not save us. Naturally, this has caused us to review fundamental investment principles to decide if our basic investment strategies are still valid. The Board has spent many hours discussing every aspect of the investment strategy with UTAM management, and we plan to remain diligent in supervising management, which is our principal mandate. Fortunately, we are blessed with very strong investment personnel at UTAM, and they are fully focused on the task. Our disclosure policies have improved, and we hope that you will appreciate the depth of our disclosure. Our aim is to be very user-friendly.

A year ago we announced the election of William Moriarty as the new CEO of UTAM. The selection committee of the Board laboured hard in finding Bill, and I am pleased to say that a year later I can confirm that we definitely have the right individual to lead UTAM forward.

Many thanks to my fellow Board members, especially to our hard working Vice-Chairman, Bob Morrison, as well as the Chair's of our standing Committees, Tom Simpson and Eric Kirzner. As you might expect, our Board meetings have expanded in time and depth.

Ira Gluskin
CHAIRMAN

PRESIDENT'S MESSAGE

Few will be sad to see the year 2008 draw to a close. Perspective was exceedingly difficult to maintain as one had to look back nearly eighteen years to find a year of similar economic stress, and considerably longer to find anything approaching the disruption experienced in financial markets. There were simply few places to hide. Stock markets were characterized by the most severe bear market since the 1930's. Commodity prices recorded the largest annual decline on record. Yields on Government bonds dropped to unthinkable levels and thus produced moderately positive returns; but not all bonds were equal, as spreads on corporate debt soared to levels also not seen since the 1930's. The Canadian dollar depreciated 25% over a four-week period.

In many respects, it was a period where pure fundamentals counted for very little, as seemingly sound investment assets were sucked into a vortex of selling pressure due to investor liquidation and the scramble for safety and liquidity. The result was an extremely disappointing year in terms of performance for the Endowment and Pension portfolios compared to any of UTAM's standards for comparison. Even more disappointing was the fact that the cumulative extra return that had been painstakingly built up over the prior five years was eliminated.

As the following pages will attest, the University portfolios were extremely diversified. But 2008 seems sure to be characterized by some as the year that diversification failed. And the more diversified that one was, the worse was the performance as a result of the extra costs associated with managing the increase in complexity. Indeed, the only way to have avoided the aggregate pain was to have made a massive tactical bet and dramatically changed the way that the portfolios were invested.

This said, the experience of the past year requires investors to re-examine prior assumptions and strategies, and we at UTAM have been no exception. A case in point was the review of the Enhanced Index strategy and our hedge funds portfolio. Another area of particular focus was our foreign currency hedging policy. A third example was the approach to fixed income within the portfolio. Each of these reviews resulted in changes in approach which we believe will enhance the return and moderate the risk of the portfolios going forward.

Based on the investment results experienced in 2008, some will question our fundamental approach to portfolio management, which rests on the pillars of meaningful equity exposure and diversification. Yet those who argue this position ignore the long-term opportunity cost of maintaining a substantial allocation to fixed income (historically in the area of 5% per annum of incremental return). Similarly, with respect to diversification, the historical record shows that after the panic subsides, the fundamental drivers of return determine results, not an all encompassing focus on safety.

These are unusually uncertain times and the current recession is the result of fundamental problems that will take time to cure.

Another line of questioning spurred by last year's results is sure to revolve around a passive versus active approach to investing. To this we would simply reply that while stock prices fell in unison last year, future earnings power and valuation were clearly diverging. This offers the probability of much more significant performance upside among active managers in the upcoming year than has been the case for quite some time.

Prudent maximization of returns requires an equal emphasis on risk. At UTAM, considerable attention has always been paid to this area. Nevertheless, the past year provides clear evidence that more focus on the understanding and management of extreme risk is likely to be beneficial. This is one of our key priorities for the year ahead.

These are unusually uncertain times and the current recession is the result of fundamental problems that will take time to cure. As always, there will be the inevitable twists in the road along the way, but we do not believe that this is a re-run of the Great Depression or the 'lost decades' in Japan. As painful as the past year has been, the end result has been the establishment of valuation levels that we have not seen in more than 20 years. This, in turn, should mean that thoughtful investors who patiently supply opportunistic capital to the markets will capture extremely attractive real returns over the next five-plus years.

Since joining UTAM in late April, I have been very impressed by, and thankful for, the hard work, commitment and professionalism of the team. All of them are focused on our important mission of generating superior returns for the University without assuming above average risk. I would also like to thank our dedicated Board of Directors, who selflessly devote countless hours to providing expert advice and counsel to the management team as we pursue our common objective.

William W. Moriarty, CFA
PRESIDENT & CHIEF EXECUTIVE OFFICER

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANDATE AND GOVERNANCE

The University of Toronto Asset Management Corporation (UTAM) was established by the University of Toronto in April 2000. The intent was to create a professional investment management organization to manage the University's Endowment fund, Pension fund and certain other financial assets. UTAM is wholly owned by the University and is governed by its own Board of Directors. The UTAM Board is responsible for the oversight and direction of UTAM. Senior management regularly reports on the investments under management to the UTAM Board, and periodically to the Business Board of the University of Toronto.

UTAM manages $4.41 billion of assets in three portfolios: (i) the University's $1.51 billion Endowment fund; (ii) the University's $2.08 billion Pension Master Trust fund; and (iii) the University's working capital pool (Expendable Funds Investment Pool; "EFIP") of over $800 million.

The Endowment fund, which is formally called the Long Term Capital Appreciation Pool ("LTCAP"), primarily represents the collective endowment funds of the University. However, it also contains certain other assets invested for the long-term, including assets which back the University's Supplemental Retirement Arrangement. LTCAP is a pool of assets managed as a single fund that is denominated on a unit value basis (conceptually like a mutual fund) into which most of the University's underlying endowments invest by purchasing units. The growth in assets of LTCAP is the net result of endowment contributions, withdrawals to fund endowment projects and investment income earned on LTCAP assets. The University oversees the administration of all aspects of the underlying endowments, of which there are more than 4,750 individual endowments. The University receives the endowment donations from donors and invests the funds into LTCAP by purchasing units on behalf of each underlying endowment. The University withdraws funds from LTCAP to satisfy the spending requirements of each underlying endowment.

The Pension Master Trust fund ("Pension") combines the assets of the University of Toronto Pension Plan and the OISE Pension Plan. The growth in assets of the Pension fund is the net result of pension contributions, pension payments to retirees and investment income earned on the Pension assets. The University oversees the administration of all aspects of the Pension plans, including payments to retirees.

EFIP consists of the University's expendable funds that are pooled for investment for the short and medium term. The nature of these assets, which generally include the University's working capital, means that the total assets in EFIP can fluctuate significantly over time. The change in assets of EFIP reflects the combined effect of many factors, such as student tuition fees, University expenses for salaries, expenses for maintaining facilities, government grants and investment income earned on EFIP assets.

The assets in the Endowment, Pension and EFIP portfolios are invested by UTAM and held by a custodian on behalf of the University of Toronto. The assets of the Endowment fund and EFIP are reported in the University's financial statements. The applicable portion of the Pension assets are reported in each of the University of Toronto Pension Plan and the OISE Pension Plan financial statements.

Compliance oversight is very important to UTAM and a variety of compliance checks are run daily on the portfolios. We conduct regular reviews of our external investment managers and regularly obtain certificates of compliance from our Public Markets managers. We are actively involved in supporting the University's activity in reviewing Responsible Investing practices and their applicability to the assets that UTAM manages for the University.

Overall, UTAM's mandate centres around a dedicated focus on managing those University investment assets that are entrusted to our care. We take that responsibility very seriously, and continually look for ways to improve what we do and how we do it. Investing can be a complicated business, so we also look for ways to communicate more effectively with our various stakeholders.

OBJECTIVES AND PERFORMANCE ASSESSMENT

The University establishes a return objective and risk tolerance for each of the three portfolios that we manage. The Endowment and Pension portfolios have the same target return and risk tolerance. EFIP's return target and risk tolerance are unique to that portfolio. Our primary objective is to exceed the target return for each portfolio while managing the assets within the applicable risk tolerance.

The target return and risk tolerance for the Endowment and Pension portfolios are stated as a 4% real return with a 10% risk tolerance (measured by the annual standard deviation of nominal returns over a rolling ten-year period). The target return and risk tolerance for EFIP are stated as the 365-day Canadian T-bill Index return plus 50 basis points (i.e. 0.50%), with minimal risk.

UTAM has evolved as an organization since being formed in 2000. The investment strategies and ways in which performance is assessed have also evolved. In the past, we compared our investment performance to the target return and risk tolerance specified by the University for each of the portfolios that we manage, since these requirements frame our primary objective. However, for the Endowment and Pension portfolios, we also compared actual investment performance to the return that would have been achieved by a portfolio that was based on the Policy asset mix established by UTAM and approved by the UTAM Board (the Benchmark Portfolio). The Policy asset mix reflects UTAM management and the Board's assessment of the best mix of assets for the portfolios. The assessment is based on the expected long-term risk and return characteristics of different asset classes.

In addition, we compared performance to a Peer group universe. However, over time, as the investment strategies and Policy asset mix evolved, it became increasingly clear that the Peer group universe comparison was very flawed. Although the idea is simple in concept, in practice it is an exercise contaminated by key issues that significantly detract from the ability to draw meaningful information from the comparison with a reasonable degree of confidence. Over time, it also became clear that we needed a basis to assess performance in a way that 'bridged the gap' between: (i) the University's ten-year investment horizon for the target return and the much shorter time periods (e.g. one-year and five-year) over which investment strategies and asset mix changes should be assessed; and (ii) the 'always positive' nature of the University's target return (i.e. 4% real) versus the varying returns actually available in the capital markets. These considerations led to the development of the Reference Portfolio concept by the University, working with an external consultant.

Work on the Reference Portfolio concept was undertaken in 2008 and was largely completed by the end of the year. It was presented by the University to the Business Board of the University in February 2009, and subsequently to the UTAM Board of Directors in March 2009. It represents a relatively simple portfolio that could be invested passively, at relatively low cost, in a traditional asset mix that is expected to achieve the University's target return (within the specified risk tolerance) over the ten-year time period. The return of the Reference Portfolio will vary with returns available in the capital markets, and can therefore serve as a benchmark for evaluating investment performance over short, medium and long time periods. The Reference Portfolio therefore represents another useful measure for assessing UTAM's performance and value added, and we have incorporated it into our discussion of 2008 results.

As a consequence, we now assess our investment performance as follows:

- In comparison to the University's target return and risk tolerance for each portfolio, since this is the overriding objective. However, in the case of the Endowment and Pension portfolios, this is an 'always positive', fixed target return (4% real return) with a ten-year time frame. Therefore, the assessment is only relevant over long periods of time. At present, UTAM does not have a sufficiently long track record for a meaningful assessment.

- In comparison to the return achieved by the Reference Portfolio established by the University for the Endowment and Pension portfolios. Although the Reference Portfolio is designed to deliver the University's return objective, the Reference Portfolio return will vary each year based on the asset mix and market return for each asset class included in that portfolio. Until UTAM has a much longer track record, the Reference Portfolio return will be much more relevant to the assessment of performance in relation to the University's objectives.

- In comparison to the Benchmark Portfolio return for each portfolio, which is generated based on the Policy asset mix developed by UTAM and approved by the UTAM Board. Like the Reference Portfolio return, the Benchmark Portfolio return will vary each year based on the market returns for each asset class. UTAM has the ability to deviate from the Policy asset mix reflected in the Benchmark Portfolio, but only within established limits approved by the UTAM Board.

UTAM strives to add value to the portfolios we manage by generating returns which exceed the University's target return, the Reference Portfolio return and the Benchmark Portfolio return, while not exceeding the risk tolerance for the portfolios. This applies to the Endowment and Pension portfolios we manage. For EFIP, there is only a University target return (no Reference Portfolio or Benchmark Portfolio) and a "minimal risk" tolerance.

INVESTMENT STRATEGY

A number of fundamental guiding principles, or investment beliefs, provide a foundation for the investment strategies that we develop and implement for the portfolios.

The power of diversification

There are many dimensions to diversification. These include making investments which span a range of asset classes, geographies, investment styles, investment managers and individual securities.

The power of time

The ability of investment strategies to create value varies over time. Some strategies are suited to short periods of time, or certain parts of a typical business cycle. Other strategies require a long period of time and more patience to allow the value to emerge. The time perspective of the Endowment and Pension funds is relatively long term, so the investment strategies for these portfolios can encompass strategies which take time to show the value they can add. The time perspective of the EFIP portfolio is quite short, so the suitable investment strategies are more limited.

The benefit of a Value orientation to public equity investments

Over long periods, equity investments have exhibited consistently strong performance compared to less risky assets such as bonds and cash. Public equity investments are often classified as Value or Growth. We believe that Value oriented investments provide superior returns over longer periods of time. However, as with many investment strategies, the potential concentration in risk exposure from too much reliance on a single style of investment is ill advised. Therefore, we diversify by maintaining some Growth oriented investments, but Value receives a larger allocation.

The presence of higher levels of market efficiency in well developed capital markets compared to less developed capital markets

As a consequence, we believe that active (rather than passive) investment strategies have a greater probability of producing market outperformance in less developed, or severely dislocated, markets. Further, it means that less traditional investment strategies are often required to improve the probability of outperforming in the more efficient capital markets. In some environments, a passive element to investment strategies could be warranted.

All of these principles, or investment beliefs, are reflected in the investment strategies that we develop and implement. The strategies are not static, but continually evolve over time in response to our view of the potential success of each strategy as market conditions change. We typically set the Benchmark Portfolio with a three to five year outlook, but update the underlying investment strategies each year and present them to our Board for approval.

The day-to-day management of the underlying assets in each portfolio is undertaken primarily through UTAM's selection of what we believe are best-of-class third party investment managers. This approach has provided several advantages to the University, including access to specialized investment expertise and enhanced diversification of assets. At the same time, it has allowed UTAM to maintain a small staff complement that is able to concentrate on areas in which UTAM can add the most value. These include investment strategy, portfolio construction and finding the best third party investment managers available. The asset classes in which UTAM invests cover all the major asset classes and investment markets around the world.

ASSET MIX

Reference Portfolio Asset Mix

The Reference Portfolio, established by the University, has the asset mix shown in Table 1 below. This asset mix is assumed to be constant.

	Table 1
Canadian Equity	30%
US Equity	15%[1]
International Equity	15%[1]
Fixed Income – Nominal Bonds	35%
Fixed Income – Real Return Bonds	5%
Total	100%

1 The asset class weight is based 50% on the local index return and 50% on the local index return translated to Canadian dollars. The outcome is approximately equivalent to a foreign investment exposure that is 50% hedged to the Canadian dollar.

Benchmark Portfolio Asset Mix

The 2008 Policy Target asset mix and the Benchmark Portfolio asset mix, each of which is established by UTAM and approved by the UTAM Board, are shown in Table 2 below.

Table 2

	Policy Target	Benchmark Portfolio	
	2008	**ENDOWMENT (2008 AVERAGE)[1]**	**PENSION (2008 AVERAGE)[1]**
Canadian Equity	10%	13.8%	13.7%
US Equity	15%	20.7%	20.6%
International Equity	15%	20.7%	20.6%
Fixed Income – Nominal Bonds	7.5%	10.6%	10.5%
Fixed Income – Real Return Bonds	7.5%	10.1%	10.1%
Hedge Funds	15%	10.2%	10.5%
Private Investments[2]	15%	9.2%	9.4%
Real Assets[3]	15%	4.7%	4.6%
Cash	0%	0%	0%
Total	100%	100%	100%

1 Weights are based on the average of month-end weights.
2 Includes venture, buyout and distressed debt investments.
3 Includes real estate, infrastructure and commodities investments.

The Policy Target asset mix and the Benchmark Portfolio contain an allocation to Alternative Assets (hedge funds, private investments and real assets) that is not contained in the Reference Portfolio. In general, these types of investments are not easily available on a passive basis.

The Benchmark Portfolio weights are directly linked to the Policy Target asset mix. We recognized a number of years ago that it would take time to build up Alternative Assets allocations to the Policy Target weights. We did not want to undertake this build-up in an accelerated manner simply to reach the Policy Target weights more quickly. Therefore, we use an asset mix adjustment mechanism to take into account our intention for a gradual build-up in Alternative Assets exposures. Each month, the Benchmark Portfolio asset class weights are established by: (i) comparing the combined actual weight of the three Alternative Assets classes to the combined Policy Target weight; and (ii) then allocating the difference between these to each of the four Public Markets asset classes (Canadian, US and International Equity, and Fixed Income) on a pro rata basis. When Alternative Assets are considered to be at/around the Policy Target weights on a reasonably stabilized basis, the Benchmark Portfolio asset class weights will be fixed at the Policy Target weights.

The evolution of the Policy asset mix is shown in Table 3 below, followed by the Benchmark Portfolio asset mix in Table 4.

Table 3

	Endowment					Pension				
(POLICY TARGET)	**2004**	**2005**	**2006**	**2007**	**2008**	**2004**	**2005**	**2006**	**2007**	**2008**
Canadian Equity	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
US Equity	20%	20%	20%	15%	15%	15%	15%	20%	15%	15%
International Equity	20%	20%	20%	15%	15%	15%	15%	20%	15%	15%
Fixed Income	20%	20%	20%	15%	15%	30%	30%	20%	15%	15%
Hedge Funds	10%	10%	10%	15%	15%	10%	10%	10%	15%	15%
Private Investments	10%	10%	10%	15%	15%	10%	10%	10%	15%	15%
Real Assets	10%	10%	10%	15%	15%	10%	10%	10%	15%	15%
Cash	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

The Policy asset mix has been the same for the Endowment and Pension portfolios since 2006. Prior to 2006, the Pension portfolio had a higher allocation to Fixed Income than the Endowment portfolio as a result of the foreign content rules for pensions which were then in effect. The Policy Target for Alternative Assets was increased in 2007 for both portfolios.

Table 4

	Endowment[1]					Pension[1]				
(BENCHMARK PORTFOLIO)	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008
Canadian Equity	12.8%	12.8%	13.2%	15.2%	13.8%	12.8%	12.8%	13.4%	15.3%	13.7%
US Equity	25.4%	25.4%	26.7%	23.3%	20.7%	19.0%	19.0%	26.6%	23.5%	20.6%
International Equity	25.4%	25.4%	26.7%	23.3%	20.7%	19.0%	19.0%	26.6%	23.5%	20.6%
Fixed Income	25.4%	25.4%	26.7%	23.3%	20.7%	38.1%	38.1%	26.6%	23.5%	20.6%
Hedge Funds	11.1%	11.1%	6.7%	6.0%	10.2%	11.1%	11.1%	6.8%	6.2%	10.5%
Private Investments	0.0%	0.0%	0.0%	4.8%	9.2%	0.0%	0.0%	0.0%	4.3%	9.4%
Real Assets	0.0%	0.0%	0.0%	4.1%	4.7%	0.0%	0.0%	0.0%	3.7%	4.6%
Cash	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

1 Weights are based on the average of month-end weights.

In recent years, the average Benchmark Portfolio weights in Alternative Assets have increased as investments were made in these areas. There was a corresponding decrease in Public Markets asset class weights. Time-weighted returns for Private Investments and Real Assets were calculated starting in 2007, at which time these assets were included in the Benchmark Portfolio.

Actual Portfolio Asset Mix

The actual asset mix for the Endowment fund and the Pension fund at the end of 2008 and the end of 2007 is shown in Table 5. The weights are shown on an exposures basis, which means that the asset weight includes the notional amount of any index futures used to maintain an asset class at the desired weight. Index futures are not available for all asset classes and are only used where UTAM considers an appropriate index future (or equivalent) to be readily available in the market. The offset to the notional index futures amounts are included in the Cash section (note: this offset is required in order to balance back to the actual assets held in the portfolios as shown by the custodian). We believe that the presentation on this exposures basis provides a more accurate representation of the actual portfolio.

Table 5				
	Endowment		Pension	
(AS AT DECEMBER 31)	2007	2008	2007	2008
Canadian Equity[1, 2]	11.1%	9.4%	11.1%	9.2%
US Equity[1, 2]	19.1%	14.9%	19.1%	14.7%
International Equity[1, 2]	18.7%	15.9%	18.7%	15.7%
Fixed Income – Nominal Bonds[1]	11.0%	11.3%	10.7%	10.3%
Fixed Income – Real Return Bonds[2]	11.7%	4.2%	12.0%	4.6%
Hedge Funds	6.8%	23.0%	7.3%	23.2%
Private Investments	6.3%	14.8%	6.1%	15.8%
Real Assets	4.5%	6.4%	4.2%	7.0%
Cash (including notional offsets)[3]	10.8%	0.1%	10.8%	(0.5%)
Total	100.0%	100.0%	100.0%	100.0%
Cash (actual)[4]	9.1%	9.7%	7.7%	10.3%
Total Hedge Funds[5]	24.3%	31.2%	25.0%	33.1%
Total Alternative Assets[6]	17.6%	44.2%	17.6%	46.0%
Portfolio Value (millions)	$2,111	$1,506	$2,994	$2,079

1 Includes the notional amount of index futures positions which are used to maintain the asset class at approximately the desired weight. The offset to balance to the total portfolio value is included in Cash.
2 Includes Enhanced Index platform holdings.
3 Includes mark-to-market value of foreign currency hedging contracts and offset to notional amount of index futures exposures (see footnote 1).
4 Excludes offset to notional amount of index futures exposures (see footnotes 1 and 3).
5 Hedge funds are used for the Enhanced Index platforms (see footnote 2) and for the separate Hedge Funds allocation. The weight shown is the combined total of all hedge funds.
6 Combined weight of Hedge Funds, Private Investments and Real Assets.

UTAM has the discretion to deviate (within Board approved limits) from the Benchmark Portfolio weights (see Table 4). The change in asset weights from the prior year is a function of two key factors.

Firstly, we maintained an underweight position in Canadian, US and International equity for most of the year. The offsetting net overweight shows in Cash. We eliminated the equity underweight in mid-December of 2008 (but subsequently re-established an underweight in mid-February 2009).

Secondly, as the year progressed, we reallocated hedge funds from the Enhanced Index platforms to the Hedge Funds category. Although total hedge fund exposures were reduced somewhat in 2008, and will be reduced to a greater extent in 2009, the weight which shows in the Hedge Funds category increased versus 2007 for two basic reasons. The first was the re-allocation from the Enhanced Index platforms to the Hedge Funds category (note: this reduces equity exposures and frees up additional cash). The second reason was that public equity markets experienced significantly larger losses than hedge funds. This caused the weight of the Hedge Funds asset class to increase as the total portfolio reduced in value, an impact often referred to as the 'denominator effect'.

The full impact of the 'denominator effect', and the reallocation of hedge funds from the Enhanced Index platforms to Hedge Funds, can be seen in Table 5. This also affected several other asset classes and contributed to the total weight of Alternative Assets increasing from about 18% at the end of 2007 to about 45% at the end of 2008.

The impact on investment performance of UTAM's decisions on asset mix is discussed fully in the Investment Performance section of this Annual Report.

MARKET OVERVIEW

Significant losses were the norm for virtually all equity markets in 2008. The economic environment was universally grim, with massive write-offs throughout the banking system on a global basis. These developments seemed to provide a catalyst for follow-on broad economic deterioration that quickly swept around the world.

Many investors retreated to the perceived safety of cash-type investments or government bonds, only to find that some apparently safe cash-type investments were actually backed by assets that suffered serious losses as credit conditions worsened. Investment surprises were usually followed quickly by negative outcomes.

Securities markets, currencies and various commodities all seemed to race together toward market lows not seen in many years. Concerns about inflation disappeared, as did the notion of the decoupling of previously high growth economies in the Far East from the more developed markets in North America and Europe. Investment practitioners have often observed that the various areas of the capital markets tend to move more closely together in periods of market stress. The experience of 2008 validated this expectation with vivid clarity, in a downward direction.

In this environment, it was perhaps not surprising that the best performing major asset class in Canada was short-term bonds, which generated an 8.6% return in 2008. In contrast, long-term bonds earned about 2.7%, real return bonds earned 0.4% and Canadian equities lost 33% (S&P/TSX). The Canadian dollar started 2008 at $0.99 per US dollar and ended the year at $1.23 per US dollar; declining about 25%. A sharp decline took place over only a four-week period ending in late October, during which time the Canadian dollar lost 25%.

In other markets, US equities lost 37% (Russell 3000 in USD) and International equities lost over 43% (MSCI EAFE in USD). Alternative Assets were not immune to the market carnage, with hedge funds losing about 20% (USD) in 2008. Many private equity funds and real estate funds also took write-downs; however, the full effect will not be known until later in April 2009, due to the lagged reporting common to these types of fund investments. The GSCI, a commonly quoted commodities index, lost over 46% (USD) in 2008.

A long-term investment strategy rationally based on diversification into foreign equity markets and Alternative Assets, and with a high degree of currency hedging to the Canadian dollar, clearly suffered in the extreme market changes of 2008. Avoiding the losses created by equities, foreign investment exposure and currency hedging would have required a massive market timing call to be entirely invested in cash and bonds. We view such an approach to investing as inconsistent with a prudent, long-term approach to managing the Endowment and Pension investment portfolios.

INVESTMENT PERFORMANCE

Table 6 on the following page summarizes the investment performance of the Reference Portfolio, the Benchmark Portfolio, the Endowment fund, the Pension fund and EFIP for 2008 and the five-year period prior to 2008 (the latter period covers the most significant period of build-up in Alternative Assets and the most significant changes in investment strategy).

Table 6

	2008			2003-2007 (compound annual return over five years)	
	ENDOWMENT	PENSION	EFIP	ENDOWMENT	PENSION
University Target Return[1]	5.2%	5.2%	6.3%	6.1%	6.1%
Reference Portfolio Return[2,3]	(18.8%)	(18.8%)	n.a.	11.0%	11.0%
Benchmark Portfolio Return	(25.6%)	(25.6%)	n.a.	11.6%	11.2%
Actual Net Return[3]	(29.4%)	(29.5%)	1.5%	11.7%	11.5%

n.a. = not applicable
1 For the Endowment and Pension portfolios, the target return on a nominal return basis is a 4% real return plus inflation (CPI). For EFIP, the target return is the 365-day Canadian T-bill Index plus 50 basis points.
2 The foreign currency hedging ratio for the Reference Portfolio is equivalent to 50%. The policy hedging ratio for the Endowment and Pension portfolios was 100% in 2008 and was changed to 50% for 2009. The Reference Portfolio Return on a 100% hedged basis was -21.1% for 2008.
3 Gross return less all fees and costs.

Table 7 below summarizes the same information as Table 6 above (excluding EFIP), but on a year-by-year basis for the past six years.

Table 7

	2008	2007	2006	2005	2004	2003
University Target Return	5.2%	6.4%	5.7%	6.1%	6.1%	6.1%
Reference Portfolio Return	(18.8%)	3.7%	11.7%	13.5%	10.5%	15.8%
Benchmark Portfolio Return – E[1]	(25.6%)	6.1%	12.8%	13.2%	11.1%	15.2%
Benchmark Portfolio Return – P[1]	(25.6%)	5.9%	12.8%	12.9%	10.8%	13.7%
Endowment Fund Return	(29.4%)	6.1%	12.8%	11.8%	11.2%	16.7%
Pension Fund Return	(29.5%)	6.0%	12.1%	12.3%	11.4%	15.7%

1 E = Endowment fund. P = Pension fund.

The results highlight the importance of a longer term perspective on asset allocation. Cumulative returns over short and medium periods of time were significantly impacted by the severe market downturn in 2008. However, the Endowment fund outperformed the Benchmark Portfolio in four of the past five years prior to 2008, while the Pension fund outperformed in three of those years. The Endowment fund also outperformed the Reference Portfolio in four of the past five years prior to 2008, while the Pension fund outperformed in three of those years. The Reference Portfolio outperformed the University target return in four of the past five years prior to 2008.

Over the five-year period prior to 2008, the outperformance of the Endowment portfolio and the Pension portfolio versus the University target return (see Table 6) was equivalent to approximately $950 million of value. This provided a cushion to partially absorb the losses experienced in 2008.

Decomposing the Results

The difference in investment returns between the Reference Portfolio, the Benchmark Portfolio and the actual portfolio are analyzed regularly by UTAM to gain insight into how the investment strategies implemented by UTAM are performing, and to identify where changes are considered necessary in order to improve the performance and efficiency of the portfolios.

In broad terms, the difference between the Reference Portfolio return and the Benchmark Portfolio return provides insight into the value UTAM adds by establishing a Policy asset mix. The Benchmark Portfolio (which is derived from the Policy asset mix) is not constrained in asset class representation like the Reference Portfolio. (This is clear from a comparison of Table 1 and Table 2.) In addition, the asset class level performance benchmarks used for the Benchmark Portfolio are passive (i.e. market index) benchmarks, like the Reference Portfolio asset class benchmarks. Therefore, the Benchmark Portfolio return will differ from the Reference Portfolio return primarily due to a difference in asset mix and foreign currency hedging policy, and the return contribution from UTAM management and UTAM Board decisions can be assessed through performance attribution analysis.

In broad terms, the difference between the Benchmark Portfolio return and the actual portfolio return provides insight into the value UTAM adds by: (i) deviating from the Benchmark Portfolio asset mix (within limits approved by the UTAM Board); (ii) establishing investment allocations within an asset class that differ from the market index allocations (e.g. heavier allocation to Value than contained in the index); and (iii) selecting investment managers in an asset class which collectively outperform the market index for that asset class.

Investment performance for 2008 is discussed on the following page based on this framework.

Benchmark Portfolio Return versus Reference Portfolio Return

The investment principles and beliefs articulated in the Investment Strategy section above have a significant influence on UTAM's determination of the Benchmark Portfolio asset mix. The Benchmark Portfolio has a 55% Policy Target allocation to traditional Public Markets asset classes and a 45% Policy Target allocation to Alternative Assets (the latter investments are being gradually built up to Policy Target weights). The Reference Portfolio has a 100% allocation to traditional Public Markets asset classes.

The explanation of the difference in return between these two portfolios for 2008 is summarized in Table 8 below. Note that a basis point is 1/100th of one percent. Basis points are commonly used in performance attribution analysis.

Table 8

(VALUE ADDED; BASIS POINTS)	ENDOWMENT	PENSION
Reference Portfolio Return	**(1,878)[3]**	**(1,878)[3]**
Hedging at 100% versus 50%[1]	(234)	(234)
Costs included in Reference Portfolio	15	15
Public Equity – Canadian underweight plus Foreign overweight	(87)	(82)
Fixed Income underweight	(512)	(510)
Alternative Assets[2] overweight	135	130
Total Value Added	**(683)**	**(681)**
Benchmark Portfolio Return	**(2,561)**	**(2,559)**

1 The foreign currency hedging ratio for the Reference Portfolio is equivalent to 50%. The policy hedging ratio for the Endowment and Pension portfolios was 100% in 2008 and was changed to 50% for 2009. This adjustment is the impact on the Reference Portfolio at 100% hedged instead of 50%.
2 Includes hedge funds, venture, buyout, distressed debt, real estate, infrastructure and commodities investments.
3 i.e. 1,878 basis points = 18.78%.

Table 8 shows that about 680 basis points of value was eroded by the Benchmark Portfolio in 2008. Of this, the primary sources were the currency hedging policy (100% for the Benchmark Portfolio versus 50% for the Reference Portfolio), the underweight in fixed income and the overweight in foreign public equities. The Benchmark Portfolio had a heavier allocation to foreign public equity exposures and to Alternative Assets (the latter are dominated by US dollar exposures), which were 100% hedged to the Canadian dollar. The weaker performance of foreign public equities than fixed income, combined with 100% hedging in a year where the Canadian dollar declined 25%, therefore eroded relative performance for the Benchmark Portfolio. The allocation to Alternative Assets in the Benchmark Portfolio helped performance in 2008, since on a US dollar basis these assets outperformed all public equity categories.

The basic result is that diversification into foreign equity markets detracted from performance in 2008, and the effect was amplified by the 100% foreign currency hedging policy. Diversification into foreign markets and Alternative Assets added value in prior years, and is expected to do so over longer periods of time. The foreign currency hedging policy was under re-examination by about mid-year in 2008, and was changed at year-end (discussed further below).

Actual Portfolio Return versus Benchmark Portfolio Return

UTAM's investment principles and beliefs also have a significant influence on the positioning of the portfolios around the Benchmark Portfolio asset mix, and the portfolio construction and manager selection within each asset class. Table 9 below summarizes the impact of the key items which explain the difference in performance between the actual portfolio return and the Benchmark Portfolio return in 2008.

Table 9

(VALUE ADDED; BASIS POINTS)	ENDOWMENT	PENSION
Benchmark Portfolio Return	**(2,561)**[2]	**(2,559)**
Portfolio Asset Mix[1]	310	310
Transaction, Rebalancing Costs, etc.	(235)	(223)
Manager Selection		
Enhanced Index Platforms	(376)	(399)
Public Equity	(41)	(37)
Fixed Income	(14)	(14)
Hedge Funds	(31)	(32)
Other	8	4
Total Value Added	**(379)**	**(391)**
Actual Portfolio Return	**(2,940)**	**(2,950)**

1 Impact arises from differences between the actual asset class weights and the Benchmark Portfolio weights.
2 i.e. 2,561 basis points = 25.61%.

Table 9 shows that about 380-390 basis points of value was eroded versus the Benchmark Portfolio. The primary sources of value erosion were the Enhanced Index platforms and various costs, mainly relating to portfolio rebalancing and other costs.

UTAM maintained an underweight in public equities across the Endowment and Pension portfolios for most of the year. The underweight was 10% at the beginning of 2008, but was reduced at several points during the year (low of 6%) and was then eliminated about mid-December, but was subsequently re-established in mid-February 2009. This equity underweight position added 310 basis points of value in 2008.

The significant movements in the capital markets during 2008 required a series of portfolio re-balancing activities. In addition, the dramatic depreciation of the Canadian dollar versus the US dollar in the fourth quarter of the year necessitated the raising of additional cash reserves to settle the currency hedging contracts. Activity in the fourth quarter was also influenced by sales activity of fixed income holdings to re-align those holdings to the new asset class level benchmark that was coming into effect on January 1, 2009. The transaction, rebalancing and other costs cumulatively detracted about 225-235 basis points of value in 2008.

The most significant source of value erosion was the Enhanced Index platform in each of the four Public Markets asset classes. Prior to 2008, these platforms added value each year since they were implemented (US equity in 2005, Canadian and International equity in 2006, Fixed Income in 2007). Each of the four platforms is typically comprised of an index futures exposure, a liquidity reserve of money market investments and a hedge funds portfolio. In order to add value, the hedge funds must outperform an implied funding cost, which is typically a short-term money market interest rate. In 2008, hedge funds lost about 20% (USD) and therefore detracted significant value. A reduction in the Enhanced Index platforms was commenced about mid-year, along with the initial stages of a broad realignment of the hedge funds investment program. However, the reduction of the platforms and realignment of hedge funds will require a more extended period than could be concluded in 2008. The benefit of the planned changes is expected to begin in the first half of 2009.

Investment Returns by Asset Class – Endowment Fund and Pension Fund

Table 10 on the following two pages shows the asset class level returns and the corresponding market benchmark returns for 2008 and for the five-year period prior to 2008. All asset classes posted negative returns in 2008. For the five-year period prior to 2008, all asset classes posted positive returns. This is the case for actual returns and market benchmark returns, with the exception of the market benchmark return for fixed income in 2008, which was positive rather than negative. UTAM only started calculating time-weighted returns for Private Investments and Real Assets in 2007, so five-year results are not available for these asset classes. In addition, we have not yet developed a methodology for calculating value added for these two asset classes, so in the interim, we set the benchmark return equal to the actual return. This has effectively resulted in much higher benchmark returns than for most other asset classes, given the performance of these asset classes in 2008 and 2007.

The highest returns in 2008 were generated by private investments and fixed income. The lowest returns were the negative returns generated in the public equity asset classes.

Table 10

	Endowment[1]		Pension[1]	
	2008	**2003-2007 (compound annual return over five years)**	**2008**	**2003-2007 (compound annual return over five years)**
Canadian Equity	(36.9%)	19.5%	(36.6%)	19.0%
US Equity (USD)	(46.1%)	14.9%	(46.0%)	13.8%
International Equity[2]	(39.2%)	11.5%	(39.4%)	10.8%
Fixed Income	(3.5%)	7.2%	(4.3%)	6.5%
Hedge Funds (USD)	(19.9%)	7.2%	(19.7%)	8.2%
Private Investments (USD)[3]	(3.1%)	n.a.	(3.5%)	n.a.
Real Assets (USD)[3]	(15.0%)	n.a.	(16.0%)	n.a.
Currency Overlay	(10.3%)	4.1%	(10.6%)	1.5%
Total Portfolio	(29.4%)	11.7%	(29.5%)	11.5%

1 Returns are in Canadian dollar terms unless noted otherwise.
2 Figures are weighted composite of hedged and unhedged where appropriate.
3 Calculation of time-weighted returns commenced on January 1, 2007; therefore, 5-year returns are not available.

Table 10 (continued)

MARKET BENCHMARKS[1]		2008	2003-2007 (compound annual return over five years)
Canadian Equity	S&P/TSX Composite Index	(33.0%)	18.3%
US Equity (USD)	Russell 3000 Index (USD)	(37.3%)	13.6%
International Equity – Endowment	MSCI EAFE Index[2]	(32.9%)	10.8%
International Equity – Pension	MSCI EAFE Index[2]	(33.0%)	10.5%
Fixed Income – Endowment	50%/25%/25% RRB/Universe/Long	1.7%	7.2%
Fixed Income – Pension	50%/25%/25% RRB/Universe/Long	1.9%	6.7%
Hedge Funds (USD)	HFRI Conservative Index (USD)	(17.2%)[4]	7.3%
Private Investments (USD)	Benchmark = actual return	see actual returns	n.a.[3]
Real Assets (USD)	Benchmark = actual return	see actual returns	n.a.[3]
Total Portfolio – Endowment	Weighted roll-up of asset classes	(25.6%)	11.6%
Total Portfolio – Pension	Weighted roll-up of asset classes	(25.6%)	11.2%

1 Returns are in Canadian dollar terms unless noted otherwise.
2 Figures are weighted composite of hedged and unhedged where appropriate.
3 Calculation of time-weighted returns commenced on January 1, 2007; therefore, 5-year returns are not available.
4 Restated to -19.9% by the index service provider after the UTAM cut-off date for reporting.

PUBLIC EQUITIES

All areas of public equity posted significant negative returns in 2008, after showing solid results for the prior five-year period. However, the Enhanced Index platform in each public equity asset class suffered larger losses in 2008. This is because these platforms are comprised of an index futures exposure together with hedge funds and a liquidity reserve. The combined elements can be thought of as a single active manager. The programs are intended to generate a risk level comparable to an active equity manager, but with a superior risk-adjusted return. This was the case in prior years, but not in 2008. Generally, the hedge funds need to outperform a short-term implied borrowing cost (embedded in the index futures return) in order to add value.

In 2008, hedge funds performed poorly, generating losses of almost 20%. This created a larger loss in the Enhanced Index platforms. These platforms added notable value in the prior two to three years (the US equity platform was established in 2005, and the Canadian and International equity platforms were established in 2006).

As the expected short/medium term returns for key areas of the hedge fund strategy universe showed signs of continued challenge to generate acceptable returns, we moved to reduce the hedge funds exposure in the Enhanced Index platforms. At the beginning of 2008, the hedge funds in these platforms represented about an 18% weight in each of the total Endowment and Pension portfolios (including the fixed income Enhanced Index platform). By the end of 2008, this had been reduced to about 8% in the Endowment portfolio and 10% in the Pension portfolio. We are comfortable with weights around this level for these Enhanced Index platforms, but are in the process of re-structuring the underlying hedge fund investments to improve the opportunity for adding value under current, and expected future, market conditions.

Our active, long-only, public equity managers produced returns closer to the market benchmarks, but were not able to outperform in 2008. The bias in our manager line-up is generally towards a Value style of investment, which is consistent with our expectation that this style will outperform Growth over longer periods of time. During the year, we terminated and rebalanced a number of mandates, as we continue to evolve our overall manager line-up and fine-tune our investment strategies in these areas.

PUBLIC FIXED INCOME

Fixed income posted a negative return in 2008 due to the Enhanced Index platform (for reasons described above in Public Equities).

Our fixed income holdings have been primarily passively invested for a number of years, and were comprised of real return bonds and nominal bonds. The latter group is a blend of Universe bonds and Long bonds, where the Long bond component has a longer average term to maturity and a heavier Government bonds component. During 2008, as part of our investment strategy update, we made the decision to change the asset class benchmark to nominal bonds (Universe) only. This decision was based on our asset mix optimization work, which we conduct each year as part of a review of the Policy Target asset mix. We began the migration of holdings towards this benchmark in the last few months of the year. This involved the sale of real return bonds, and some Long bonds, under difficult market conditions.

In the fourth quarter, we undertook a series of bond sales (mostly Government bonds) in order to raise liquidity for the settlement of currency hedging contracts. This resulted in the purchase of additional bond index futures exposures in order to maintain the asset class weight at the desired level. The transaction and other costs associated with the sale of bonds for rebalancing to the new benchmark and to raise liquidity were an important contributor to the negative value added for the year.

We wound up the Enhanced Index platform in early February 2009. Over the short/medium term, we expect other investment strategies to provide superior return opportunities. Consistent with this, we expect to fund an active fixed income mandate in the first half of 2009, as we evolve our overall fixed income strategy to be less dependent on a passive approach. This theme is being integrated with our work on liquidity and risk management for the portfolios.

HEDGE FUNDS

Hedge funds had a very difficult year in 2008, although they continued to perform part way between equity and fixed income returns. Nonetheless, the expectation for this asset class was ongoing returns that were either positive or on occasion modestly negative. In 2008, the index return was a loss of 17% (USD), although this was adjusted to a loss of almost 20% (USD) by the index provider after our cut-off reporting date. Our holdings performed quite close to the restated index return, but underperformed the reported 2008 index return.

As 2008 unfolded, we reassessed the potential return opportunities for hedge funds, as well as their role in the Enhanced Index platforms (described previously). We formed a view that most fund-of-hedge-funds would struggle to differentiate their strategies and generate acceptable returns. In the latter part of 2007, we had already decided to begin migrating more towards direct hedge funds, with less exposure to fund-of-funds. However, such a migration takes considerable planning and execution work, in order to properly restructure the holdings. The changes were underway by mid-2008, but the timing of redemptions was impacted by the severe market conditions which emerged in the third quarter. A number of hedge funds activated redemption gates, where only a certain percentage of redeeming investors are permitted to redeem at any one point. Some hedge funds temporarily suspended redemptions. The hedge funds industry is going through significant restructuring, which will create attractive opportunities in various areas of the market.

At the beginning of 2008, the combined weight of hedge funds in the Enhanced Index platforms and in the separate Hedge Funds category was 24.5% ($512 million) in the Endowment fund, and 25.2% ($749 million) in the Pension fund. During the year, we received fund-of-funds redemption proceeds of approximately $260 million in both portfolios, a portion of which was reinvested into direct hedge funds. At the end of 2008, the total weight of hedge funds was 31.2% ($470 million) in the Endowment fund and 33.1% ($686 million) in the Pension fund (see Table 5 above). The total holdings declined but the portfolio weight increased because of what is often referred to as the 'denominator effect'.

In addition, as hedge funds performance unfolded in 2008, we moved to reduce the hedge fund exposures in the Enhanced Index platforms. This reduced the equity exposures and freed up liquidity reserves for use elsewhere. By the end of 2008, the total weight of hedge funds in the Enhanced Index platforms had been reduced to 8.2% in the Endowment fund and 9.9% in the Pension fund. We expect to conclude further redemptions in 2009 as we restructure the hedge funds line-up. The exposures continue to be well diversified across strategies and hundreds of underlying managers. Hedge fund-of-funds continue to represent the majority of holdings at this time.

PRIVATE INVESTMENTS

We continued to build our Private Investments program in 2008, but at a reduced pace, given the market environment. The investment strategy is based on making investment commitments to private funds that are managed by what are expected to be top performing investment managers in the particular category in which they specialize. Our intent is to build a well diversified set of exposures to venture, buyout and distressed debt funds over a number of years. The nature of these private funds is such that it takes many years to fully develop an investment program and achieve a reasonably stabilized invested base around a target level.

Our emphasis through most of 2007 and the earlier part of 2008 was toward building commitments in the distressed debt area. In 2008, we made new fund commitments primarily to a select number of managers with whom we had invested in a previous private fund. The emphasis was toward the small/upper-middle buyout and secondary funds areas.

The calculation of performance for this type of investment program is complex. In January 2007, we began calculating returns on the same basis as we use for the Public Markets and Hedge Funds investments, which follow the industry convention of what is called a time-weighted return methodology. However, the Private Investment funds are best assessed using a fund lifetime, dollar-weighted methodology. We have not yet established a methodology for calculating value added and there is no standard industry practice. For now, we set the benchmark return equal to the actual return, such that no 'value added' is measured but the performance is included in the total portfolio return.

Performance in 2008 showed a loss of about 3% (USD) in the Endowment fund and 3.5% (USD) in the Pension fund. This is on a translated to US dollars basis, which captures the full impact of currency movements versus the US dollar. We actually select the private funds on essentially a local currency view, which is conceptually equivalent to a 100% hedged perspective. On a local currency basis, the returns in 2008 were a gain of about 1.5% in each of the Endowment and Pension portfolios.

Values for these private funds are typically reported on a 1-quarter lag basis. Therefore, the returns do not yet reflect fourth quarter 2008 valuation updates. However, the local currency returns for 2008 exceeded 1-quarter lagged US public equity returns by over 2,300 basis points.

REAL ASSETS

We also continued to build our private real estate and private commodity funds investments program in 2008, but also at a more moderate pace, given market conditions. The investment strategy is similar to Private Investments, described above.

Our areas of interest in 2008 continued to be fairly broad-based. We made new commitments to a few funds in real estate and the energy area within commodities. We also made commitments to two infrastructure funds. We do not maintain a formal allocation to infrastructure, but rather 'carve out' capacity from the most closely aligned real estate sub-category when we find an infrastructure fund that we consider a good fit with the investment program. We also reallocated the investment in two commodities hedge fund-of-funds to the Hedge Funds category from Real Assets, as we considered them to be better aligned with the former category overall.

The commentary above for Private Investments performance calculations applies equally to Real Assets. Performance in 2008 showed a loss of about 15% (USD) in the Endowment fund and 16% (USD) in the Pension fund. On a local currency basis, the returns in 2008 were a loss of 2.9% in the Endowment portfolio and 4.6% in the Pension portfolio.

FOREIGN CURRENCY

The foreign currency hedging policy for the Endowment and Pension portfolios has varied over the years. Since 2007, a 100% foreign currency hedging policy has been in place. The policy is implemented through a currency overlay program at the total portfolio level.

In 2007, as the Canadian dollar appreciated, this hedging policy improved the returns of each portfolio by about 7% compared to an unhedged portfolio, since the hedging offset currency translation losses on the investments being hedged. In 2008, the opposite effect took place as the Canadian dollar depreciated significantly, such that the hedging policy reduced returns by 12.4% in the Endowment portfolio and 12.9% in the Pension portfolio, compared to an unhedged portfolio. This is the combined effect of the total portfolio currency hedging overlay (10.3% in the Endowment portfolio and 10.6% in the Pension portfolio; see Table 10) and hedging done at the asset class level for Enhanced Index strategy assets (2.1% in the Endowment portfolio and 2.3% in the Pension portfolio).

If the Endowment portfolio and the Pension portfolio had been 50% hedged in 2008 (like the Reference Portfolio), rather than 100% hedged, the return of the Endowment portfolio would have been 621 basis points higher (i.e. -23.2% instead of -29.4%) and the return of the Pension portfolio would have been 645 basis points higher (i.e. -23.1% instead of -29.5%).

As 2008 unfolded and we reassessed risks in various parts of the portfolios, we began to also reconsider the extent of non-Canadian investment exposures and how the underlying exposures interacted with currency exchange rate movements over short, medium and long periods of time. In a world of increased market risks and volatility, this became a more significant area of investigation since we realized we would be moving closer to the University's risk target more quickly than earlier anticipated. In prior years, the total portfolio risk was well below the University's risk specification. However, with the increased market stress in 2007 and 2008, portfolio risk levels were also increasing. We therefore updated and expanded our earlier work on foreign currency hedging. The results showed a negative correlation between the market index returns and exchange rate movements over most time periods (particularly for the US dollar, which is the primary currency exposure in the portfolios). Simply put, this means that not fully hedging should reduce portfolio risk from the combined interaction of underlying securities exposures and currency exposure. The hedging ratio across which this occurs is little changed between about 40% and 60% hedging. Therefore, we implemented a 50% hedging policy for the Endowment and Pension portfolios starting at the beginning of 2009.

Investment Performance and Asset Mix – EFIP

The University set the target return for EFIP as the 365-day Canadian T-bill Index return plus 50 basis points. There is no Reference Portfolio or Benchmark Portfolio for EFIP. There is also no multi-year performance assessment. The target is essentially a relatively stable, always positive, return. However, minimal risk is the overriding requirement.

The total size of the EFIP portfolio can fluctuate widely during the year, given the nature of the use of the funds by the University. To accommodate this situation, the investment strategy is framed around an assumed $600 million portfolio and contains various asset classes. UTAM has a fairly high degree of flexibility to position the portfolio around the single-point target weight for each asset class.

UTAM monitors the performance of each asset class in EFIP versus an appropriate market index benchmark return. However, unlike the Endowment and Pension portfolios, the asset class level returns and their market benchmark returns are not weighted and rolled up to derive a Benchmark Portfolio return and calculate value added. Rather, the total portfolio return is simply compared to the University target return to calculate value added.

The average asset mix and 2008 investment performance for EFIP are summarized in Table 11 on the following page. At the end of 2008, the EFIP portfolio had a market value of $818 million (2007; $640 million).

Table 11	ASSET MIX (2008 AVERAGE)[1]	ACTUAL RETURN	VALUE ADDED (BASIS POINTS)
Cash	54.3%	3.6%	28
Short-Term Bonds	31.7%	9.9%	130
Medium-Term Bonds[2]	0.0%	n.a.	n.a.
Hedge Funds (USD)	14.0%	(21.4%)	(419)
Currency Overlay[3]	n.a.	(3.3%)	n.a.
Total	100%	1.5%	(481)[4]

1 Weights are based on the average of month-end weights.
2 The investment strategy includes an allocation to medium-term bonds.
3 Foreign currency exposures are 100% hedged to the Canadian dollar. The exposures are not considered substantial enough to warrant a lower hedge ratio.
4 i.e. 481 basis points = 4.81%.

EFIP generated a net return of 1.5% in 2008, which was 481 basis points below the 6.3% University target return. The primary reason for underperformance was the hedge funds allocation. In prior years, hedge funds produced relatively stable returns at fairly low risk levels. The losses in 2008 increased the risk profile of EFIP. As a result, we are reducing the hedge fund allocation. Redemptions are pending with various hedge funds.

In mid-2007, we reduced the corporate credit exposure in EFIP and shortened the duration of holdings in order to reduce risk. The change was implemented by a sell-down of medium-term bonds, with proceeds deployed 50/50 into cash and short-term bonds. We maintained this conservative posture throughout 2008, but it detracted value as short-term bonds outperformed medium-term bonds by less than cash underperformed medium-term bonds.

RISK MANAGEMENT

University Risk Targets

The University establishes the risk target for each portfolio. For the Endowment and Pension portfolios, the risk tolerance is specified as a 10% annual standard deviation of nominal returns over a rolling ten-year period. There are many technical nuances to this risk specification, but in general statistical terms, it means that the annual real return, on average, could be outside the range -6% to +14% (i.e. 10% either side of the 4% net real return target) in approximately three out of any ten years. Risk as measured by the standard deviation of returns is a commonly used risk statistic in the investment industry. For EFIP, the risk target is simply stated as minimal risk tolerance, with no quantitative specification.

UTAM's Approach to Risk Management

UTAM's emphasis on risk assessment is premised on the simple belief that the appetite for returns is essentially unlimited, but the pursuit of returns entails risk, the appetite for which is clearly limited by the risk tolerance. It logically follows that optimizing the asset mix, and the third party investment manager line-up, should be centred around maximizing the investment return per unit of risk, while investing for higher returns up to the acceptable total risk tolerance specified by the University.

This general thesis is reflected in a number of our activities, including portfolio construction (which includes work on the Policy asset mix each year), investment strategy, manager selection and ongoing monitoring.

An example of portfolio construction risk would be the choice of weights for certain investment styles within the portfolios. Our investment strategy for public equities has a heavier weight in the Value style of management and a lower weight for Growth. Over the long-term, Value is expected to outperform Growth. However, over shorter time periods this may not be the case.

We help control key sources of risk through a number of actions. At the total portfolio level, we do extensive financial modeling on a periodic basis in order to determine the optimal Policy asset mix that maximizes expected return within the risk tolerance for the portfolio. In constructing the portfolios around the Policy asset mix, we maintain strong diversification across a number of key areas, including asset classes, managers, geographies, industries, investment styles, investment strategies within asset classes and individual security positions. For example, our portfolio construction is centred around seven major asset classes on a global basis, which covers all major asset classes and securities markets.

Manager diversification is important, particularly for Alternative Assets. At year-end, the Private Investments program was invested with thirty three investment managers across forty three limited partner funds. The Real Assets program was invested with eleven investment managers across twenty one limited partner funds. The hedge funds were invested in sixteen fund-of-funds (84% of holdings; hundreds of underlying managers) and fourteen single manager funds. Alternative Assets classes typically bring particular diversification benefits (but unique risks), through lower correlation of returns with more traditional asset classes. The breadth of manager diversification helps control sources of known and unknown risk in these Alternative Assets classes.

Alternative Assets investments also bring unique liquidity risks, particularly in limited partner funds. The nature of these private funds is such that an investor makes a commitment to the fund, and portions of the total committed amount are then drawn by the General Partner over a multi-year period as the General Partner identifies investments suitable for the fund. The fund lifetime is usually more than ten years, although investors normally receive distributions along the way before final fund wind-up, as the General Partners sell underlying investments and distribute the proceeds to the limited partners. The limited partnership interest is a very illiquid asset. There is a secondary market for limited partnership interests, but it is a very opaque market and cannot be relied upon for either valuation or sale.

Hedge fund investments can also have limited liquidity. These fund investments can be redeemed on a regular basis, but there are a variety of constraints which affect the speed with which the redemption proceeds can be received. The liquidity is much better than private limited partner funds. However, in difficult market conditions, such as we experienced in 2008, some of these hedge fund holdings may become more difficult to redeem on a timely basis.

Alternative Assets are an important component in the Benchmark Portfolio for the Endowment and Pension portfolios. We regularly prepare cash forecasts to help manage the liquidity impact of these investments, but also to ensure adequate liquidity for the ongoing overall cash requirements of the portfolios. We periodically undertake portfolio stress test modeling to gauge the potential impact of any acceleration in capital calls for the remaining undrawn commitments to limited partner funds.

Hedge fund managers are selected using various criteria. These include financial modeling to assess the impact on expected returns and the risk profile of the portfolios, in combination with the other hedge fund investments. This assessment is critical to properly manage the risk exposures for the portfolios. The hedge funds manager line-up has been assembled to diversify exposures across many sources of risk (e.g. credit risk, interest rate risk, market risk, industry concentration risk, operational risk) and across numerous investment strategies. This diversification helps mitigate known sources of risk, but also unknown or unpredictable sources of risk.

The increase in the correlation of hedge fund returns with market exposures in 2008 increased the importance of selecting low correlation hedge funds for the Enhanced Index platforms. We expect to make a number of changes in the profile of the hedge funds we use in these Enhanced Index platforms as we migrate towards less investment with fund-of-funds and more investment with direct hedge funds.

Manager selection is an important source of risk control. In our sourcing and review process for considering all new managers for the portfolios, we not only assess a manager's performance and investment methods, but also conduct thorough operational due diligence work on their activities. This emphasis is also considered important because of the increasing amount of investment in Alternative Assets. These asset categories, and the underlying investment strategies (particularly for hedge funds), often involve a different risk profile than is associated with a traditional, long-only, active equity or fixed income investment manager. Our work in this area will continue to evolve as we pursue improvements to processes and practices.

Risk management is a complex area, and one which requires constant re-examination. Such a review of our risk measures and tools will be one of our key priorities in the year ahead.

At the total portfolio level, we need more focus on 'extreme risk' measures (e.g. shortfall probability, expected shortfall, stress VaRs) and more robust incorporation of these factors into our portfolio construction process. Similarly, at the asset class level, we need greater transparency and better tools to roll-up the active risk exposures that our individual managers are taking on. With this information, we will spend more time considering our underlying risk/return assumptions and the optimal amount of portfolio insurance (taking into account potential costs) required to mitigate improbable, yet possible, outcomes.

Portfolio Risk Levels Versus the University Risk Targets

Exhibit 1 on the following page shows the risk level of the portfolios, based on the rolling 48-month volatility of returns (i.e. standard deviation) in relation to the University's 10% risk target. UTAM monitors portfolio risk levels against this University risk target on a regular basis. The exhibit also shows the Benchmark Portfolio and Reference Portfolio risk on a comparable measurement basis. Exhibit 1 shows the change in this measure of risk over time, rather than the traditional single-point in time calculation that is usually presented.

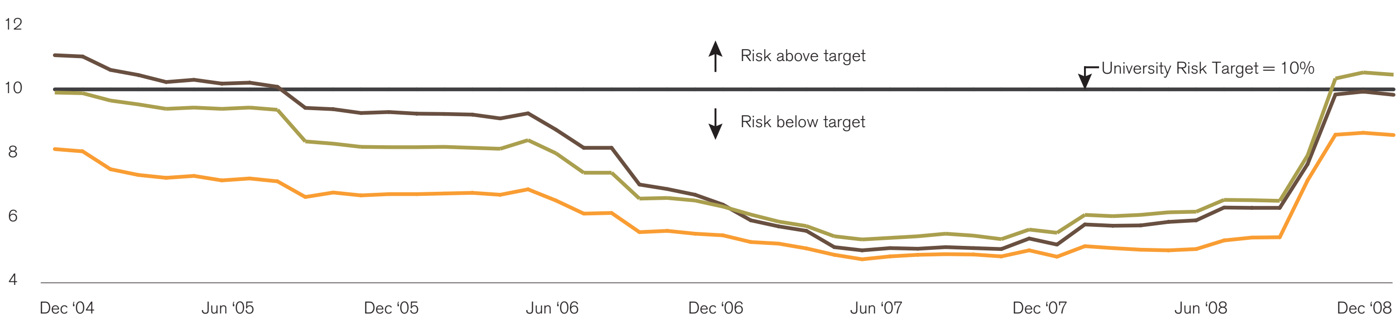
Prior to 2008, portfolio risk measured on this basis was running well below the University's quantitative risk tolerance. The calculation of actual risk excluded Private Investments and Real Assets until performance measurement started in January 2007 (they are included in actual risk results since then). However, these investments have a short history in the portfolios and were at modest invested levels prior to 2007. As such, there would be little impact on risk for prior years.

Exhibit 1

Portfolio Risk Levels Over Time [1]

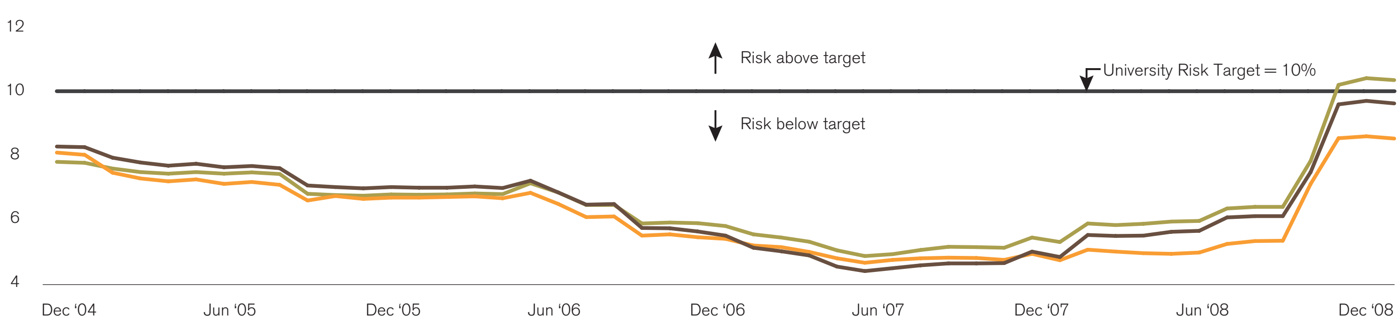
Endowment

Risk = Standard Deviation (%)



Pension

Risk = Standard Deviation (%)



- Actual
- Benchmark Portfolio
- Reference Portfolio

[1] Rolling 48-month standard deviation of returns. Includes private investments and real assets starting in January 2007.

We currently use a rolling 48-month period for this risk measure because the applicable performance history of the portfolios is limited (as the actual historical performance data set expands over time, we will move towards using a ten-year rolling period). The starting point in Exhibit 1 is December 2004, which requires a starting point of January 2001 for the data.

The actual risk level for each of the Endowment and the Pension portfolios on a 48-month basis moved to slightly above the University's ten-year rolling risk target by the end of 2008. At this point, it is not a significant concern, given the lack of full performance history. Nonetheless, we are very mindful of risk levels and regularly monitor and consider the risk profile of the portfolios versus the University target. We will reconsider the Policy asset mix later in 2009 as part of our annual update. By that time, it should be clearer whether the experience of market risk in 2008 has extended through 2009, or is tapering off as markets stabilize.

Unlike the Endowment and Pension portfolios, EFIP has a low tolerance for risk and no quantitative risk target. The EFIP investments are predominantly a well diversified set of Government and high quality corporate holdings, mostly with shorter terms to maturity. These are the primary means of controlling risk for such a short-term oriented portfolio.

AUDITORS' REPORT

To the Directors of
University of Toronto Asset Management Corporation

We have audited the balance sheet of **University of Toronto Asset Management Corporation** as at December 31, 2008 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Corporations Act (Ontario), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Signed Ernst & Young LLP

Toronto, Canada,
March 25, 2009.

Chartered Accountants
Licensed Public Accountants

BALANCE SHEET

As at December 31	2008 $	2007 $
ASSETS		
Current		
Cash	**33,408**	112,110
Accounts receivable [note 4]	**154,386**	99,010
Prepaid expenses	**43,546**	34,032
Total current assets	**231,340**	245,152
Capital assets, net [note 5]	**295,239**	335,053
	526,579	580,205
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	**206,296**	207,959
Due to University of Toronto [note 7[a]]	**25,044**	37,193
Total current liabilities	**231,340**	245,152
Deferred capital contributions [note 6]	**295,239**	335,053
Total liabilities	**526,579**	580,205
Net assets	**–**	–
	526,579	580,205

See accompanying notes

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year ended December 31	2008 $	2007 $
EXPENSES [note 7]		
Staffing	**2,586,866**	2,853,306
Occupancy	**247,267**	217,306
Consulting fees	**139,156**	288,704
Office supplies and services	**80,566**	85,954
Professional fees	**249,628**	146,549
Communications and information technology support	**167,751**	140,431
Travel	**171,312**	193,157
Amortization of capital assets	**39,814**	39,814
	3,682,360	3,965,221
RECOVERIES AND OTHER INCOME		
Recoveries from University of Toronto [note 7]	**3,642,546**	3,925,407
Amortization of deferred capital contributions [note 6]	**39,814**	39,814
	3,682,360	3,965,221
Net income for the year	**–**	–
Net assets, beginning of year	**–**	–
Net assets, end of year	**–**	–

See accompanying notes

STATEMENT OF CASH FLOWS

Year ended December 31	2008 $	2007 $
OPERATING ACTIVITIES		
Net income for the year	–	–
Add (deduct) items not involving cash		
Amortization of capital assets	39,814	39,814
Amortization of deferred capital contributions	(39,814)	(39,814)
	–	–
Changes in non-cash working capital balances related to operations		
Accounts receivable	(55,376)	(44,004)
Prepaid expenses	(9,514)	(34,032)
Accounts payable and accrued liabilities	(1,663)	5,400
Cash used in operating activities	(66,553)	(72,636)
INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	–	(2,870)
Deferred capital contributions to fund purchase of capital assets	–	2,870
Increase (decrease) in amount due to University of Toronto	(12,149)	174,525
Cash provided by (used in) investing and financing activities	(12,149)	174,525
Net increase (decrease) in cash during the year	(78,702)	101,889
Cash, beginning of year	112,110	10,221
Cash, end of year	33,408	112,110

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

1 RELATIONSHIP WITH THE UNIVERSITY OF TORONTO

University of Toronto Asset Management Corporation ["UTAM"] is a corporation without share capital incorporated on April 25, 2000 by the Governing Council of the University of Toronto [the "Governing Council"] under the Corporations Act (Ontario). UTAM is a non-profit organization under the Income Tax Act (Canada) and, as such, is exempt from income taxes.

The principal objectives of UTAM are to create added value by providing both current and future financial resources for the University of Toronto ["U of T"] and its pension funds that will contribute to globally recognized education and research.

2 BASIS OF PRESENTATION

These financial statements present the financial position, results of operations and cash flows of UTAM as a separate legal entity. The securities representing the investments of the funds of U of T are held on behalf of U of T in the names of such trustees or nominees as may be directed by UTAM, but not in the name of UTAM.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of UTAM have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized as follows:

Change in accounting policies

Effective January 1, 2008, UTAM adopted the recommendations of CICA 1535: Capital Disclosures, which require the disclosure of qualitative and quantitative information that enables users of the financial statements to evaluate the Corporation's objectives, policies and processes for managing capital. The adoption of these recommendations only required additional disclosures, which are provided in note 8.

Future accounting policy changes

The CICA has issued revisions to the 4400 series and certain other sections to amend or improve certain parts of the CICA Handbook that relate to not-for-profit organizations. With respect to presentation, these changes include making CICA 1540: Cash Flow Statements applicable to not-for-profit organizations; and requiring the reporting of revenues and expenses on a gross basis in the statement of operations unless not required by other guidance.

These changes in accounting policies must be adopted by years beginning on or after January 1, 2009, with earlier adoption permitted. These amendments are not expected to have a significant impact on the financial statements.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of recoveries and expenses during the reporting period. Actual results could differ from those estimates.

Capital assets

Leasehold improvements are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the lease term of ten years and six months [note 7[d]].

Revenue recognition

Recoveries from U of T are recorded when expenses are incurred. Recoveries related to the purchase of capital assets are deferred and amortized over the life of the related capital asset.

Employee future benefits

UTAM's contributions to U of T's employee future benefit plans are expensed when due [note 7[b]].

4 ACCOUNTS RECEIVABLE

The premises occupied by UTAM are leased in the name of the Governing Council, which, in accordance with the University of Toronto Act, 1971, s.o. 1971, c.56, is exempt from municipal property taxation. A request has been formally submitted to the landlord to make the necessary application for such tax exemption to the assessment authority on the Governing Council's behalf. Until such time as the tax exemption is granted and a refund is received, all payments made by UTAM in respect of property taxation are recorded as accounts receivable and totalled $154,386 at December 31, 2008 [2007 – $99,010].

5 CAPITAL ASSETS

Capital assets consist of the following:

			2008
	COST $	ACCUMULATED AMORTIZATION $	NET BOOK VALUE $
Leasehold improvements	**415,600**	**120,361**	**295,239**

			2007
	COST $	ACCUMULATED AMORTIZATION $	NET BOOK VALUE $
Leasehold improvements	415,600	80,547	335,053

6 DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of recoveries from U of T received in connection with the purchase of capital assets. The amortization of deferred capital contributions is recorded as income in the statement of operations and changes in net assets. The continuity of deferred capital contributions is as follows:

	2008 $	2007 $
Balance, beginning of year	**335,053**	371,997
Recoveries received during the year related to capital asset purchases	**–**	2,870
Amortization of deferred capital contributions	**(39,814)**	(39,814)
Balance, end of year	**295,239**	335,053

7 RELATED PARTY TRANSACTIONS

[a] In accordance with the amended and restated Service and UTAM Personnel Agreement dated May 14, 2003 and subsequently replaced by the Investment Management Agreement dated November 26, 2008 between the Governing Council and UTAM, U of T will reimburse UTAM for its services an amount which will enable it to recover the appropriate costs of operations. U of T reimburses UTAM on a quarterly basis based on the approved budget. As at December 31, 2008, $25,044 is due to U of T [2007 – $37,193], as a result of reimbursements exceeding actual cost of operations.

[b] Eligible employees of UTAM are members of U of T's pension plan and participate in other employee future benefit plans offered by U of T. In 2008, contributions of $93,149 [2007 – $93,940] related to these plans have been expensed.

[c] UTAM obtains certain services from U of T, such as payroll and IT support. There is a charge for some of these services. U of T pays UTAM's salaries, benefits and certain other costs and is reimbursed by UTAM.

[d] The Governing Council entered into a lease with a term of ten years and six months commencing October 1, 2005 for the premises occupied by UTAM. UTAM will pay the following amounts to the landlord directly, which represent the minimum rent component of the lease obligations:

	$
2009	106,724
2010	106,724
2011	106,724
2012	106,724
2013	106,724
Thereafter	240,128
	773,748

In addition to the above minimum rent payments, there are additional payments in respect of operating and tenant in-suite hydro costs that are subject to change annually based on market rates and actual usage. These components totalled $137,657 in 2008 [2007 – $86,580].

[e] Transactions with U of T are measured at the exchange amount, which is the amount of consideration agreed to by the parties. Amounts due to/from U of T are non-interest bearing and due on demand.

8 CAPITAL MANAGEMENT

In managing capital, UTAM focuses on liquid resources available for operations. U of T provides funds as required to allow UTAM to meet its current obligations. As at December 31, 2008, the Corporation has met its objective of having sufficient liquid resources to meet its current obligations.

UTAM BOARD OF DIRECTORS

(as at March 31, 2009)

IRA GLUSKIN, Chair of the Board

Ira Gluskin and Gerry Sheff founded Gluskin Sheff + Associates in 1984. Ira continues to be President and Chief Investment Officer. Prior to 1984, Ira worked for a prominent life insurance company, a prominent research brokerage firm and a prominent mutual fund manager. Ira is active in a variety of business, community and cultural organizations. He is chairman of the University of Toronto Asset Management Corporation. Ira is the former Chair of the Investment Advisory Committee for the Jewish Foundation of Greater Toronto and a member of the Foundation Board. He is also a member of the Mount Sinai Hospital Investment and Budget Committees, as well as being a member of its Foundation.

ROBERT W. MORRISON, Vice Chair of the Board
Corporate Director

ERIC F. KIRZNER, Chair of the Audit and Compliance Committee
Rotman School of Management, Professor of Finance

THOMAS H. SIMPSON, Chair of the Compensation Committee
Corporate Director

SHEILA BROWN, University of Toronto, Chief Financial Officer

ALLAN CROSBIE, Crosbie & Company, Chairman

CATHERINE A. DELANEY, C.A. Delaney Capital Management

WILLIAM E. HEWITT, William E. Hewitt Associates, Financial & Investment Consultants

FLORENCE R. MINZ, Governing Council of the University of Toronto, Swindon Investments Ltd., Partner

WILLIAM W. MORIARTY, University of Toronto Asset Management Corporation, President and Chief Executive Officer

CATHERINE J. RIGGALL, University of Toronto, Vice President, Business Affairs

BONITA THEN, Specialty Foods Group Inc., President and CEO

JOHN VARGHESE, VentureLink LP, Chief Executive Officer and Managing Partner

NEIL H. DOBBS, University of Toronto Asset Management Corporation, Secretary to the Board
Governing Council of the University of Toronto, Deputy Secretary to the Governing Council

UTAM STAFF

(as at March 31, 2009)

WILLIAM W. MORIARTY, CFA
President and Chief Executive Officer

JOHN L.W. LYON, CFA, CA
Managing Director, Private Markets and Co-Chief Investment Officer

KAREN J. COLL, CFA
Managing Director, Public Investments

JOHN T. HSU, MBA, FCMA
Managing Director, Risk Management and Operations

DAREN SMITH, CFA, CAIA, FRM, FCIA
Director, Portfolio Research and Analysis

TIFFANY PALMER
Director, Compliance

BENJAMIN ABRAMOV, MBA, LLB
Vice President, Private Markets

KELVIN HU, MFE
Portfolio Performance and Risk Analyst

JULIANA ING, CFA, FRM
Portfolio Performance and Risk Analyst

REBECCA MUDGE, CFA
Investment Analyst

SONG WU, MFE
Investment Analyst

ANNE LEE
Investment Operations Analyst

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